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DEPARTMENT FOR SCA/CEN (M. O'MARA, T. PERRY), DRL/PHD (C.
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SUBJECT: KAZAKHSTAN: PRESIDENT DELIVERS STATE OF THE NATION ADDRESS

REF: Astana 515

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¶1. (SBU) Summary: On February 28, President Nursultan Nazarbayev delivered his annual state of the nation address before a joint session of parliament. The address, entitled "New Kazakhstan in the New World," was intended primarily for domestic consumption, with a heavy focus on modernizing social and economic development in the country. Nazarbayev emphasized the need to meet global competitive challenges, and to utilize international standards. The president listed political reform as one of the 10 major tasks facing the nation in the coming decade, but he did not reveal any significant new details concerning the plan for reform. End summary.

THE PRESIDENT CELEBRATES PROGRESS, PROMISES MORE

¶2. (U) On February 28, President Nazarbayev delivered his annual state of the nation address before a joint session of parliament. The president's speech, entitled "New Kazakhstan in a New World," stressed the themes of modernization and development, with a strong focus on social and economic issues. The president reviewed Kazakhstan's progress to date, declaring that Kazakhstan "has chosen its own way of development," and has "achieved wide renown and its standing in the international community is rising year after year." He reiterated Kazakhstan's goal of joining the world's 50 most competitive nations, acceding to the WTO, and fulfilling Kazakhstan's 2030 development strategy, which was adopted by the parliament in 1997. For the first time in recent years, the speech was not broadcast live. President Nazarbayev departed from his text on several occasions to scold ministers - and on one issue the press - for not carrying out their tasks properly. The impromptu remarks, in both Kazakh and Russian, showed a greater level of frustration and dissatisfaction in specific areas than in his prepared remarks.

SOCIAL SPENDING WILL RISE

¶3. (U) In terms of bread and butter social and economic issues, President Nazarbayev pledged, among other things, that pensions would grow and would be indexed for inflation; employees in educational, social, health, culture, and sports institutions would be paid health allowances; employees working in harmful or difficult labor conditions would receive additional allowances; and that 100 high schools and 100 hospitals would be built over the next three years in impoverished rural areas. In addition, Nazarbayev encouraged Kazakhstanis to have more children, and promised to double the payment that families receive upon the birth of a child,

to increase monthly childcare allowances, and to introduce mandatory maternity social insurance. (Note: According to the president, 290,000 children were born in Kazakhstan in 2006, an improvement over the 220,000 that were born in 2000. End note.) In all, the president planned to allocate 108 billion tenge (\$864 million) for social welfare improvement in the country.

10 MAJOR TASKS FOR THE COMING DECADE

14. (U) In keeping with the theme of further modernizing and developing Kazakhstan, the president outlined 10 major tasks for the country in the coming decade:

- 1) Maintain and grow Kazakhstan's economy, including by decreasing natural monopolies, strengthening the financial system, creating an efficient stock market, and ensuring Kazakhstan's accession the WTO.
- 2) Further Kazakhstan's role as the "regional locomotive" of economic development in Central Asia, and make it a successful player in the global economy. Nazarbayev indicated that the primary focus should be on markets in Russia, China, Central Asia, and the Caspian and Black Sea regions, and he proposed establishing a Eurasian Economic Union.
- 3) Increase the effectiveness of the country's extractive industries, in part by implementing a responsible and mutually beneficial energy policy and by insisting that foreign partners respect the needs of the country and play a role in the diversification of its economy.
- 4) Diversify the economy by promoting the development of non-extractive sectors.

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- 5) Develop a modern infrastructure to sustain the country's new role in the regional and global economy, including by exploring new approaches to development and management of electricity and energy resources and laying the foundation for nuclear energy use in Kazakhstan. The president called for the completion of a thermal electric power station near Lake Balkhash as soon as possible.
- 6) Provide modern education and professional re-training to help develop an innovative economy.
- 7) Target social protection and social welfare development to those who really need protection, such as the disabled, large families, and low-income families, and end support for those who are reluctant to find a new job or update their specialty. Nazarbayev also pledged further progress in developing affordable (government-subsidized) housing, particularly in the capital of Astana, to ensure that Astana can attract a new "intelligentsia" -- highly qualified doctors, teachers, and technical and engineering professionals. The president criticized government corruption in this sphere, and called on his Nur Otan Party to oversee the distribution of subsidized housing and ensure that it goes to those it was intended to help, as opposed to corrupt local government officials.
- 8) Modernize the political system by implementing the conclusions of the State Democratization Commission (reftel).
- 9) Accelerate administrative reforms to meet international standards, with the goal of creating a modern, professional civil service.
- 10) Promote Kazakhstan's achievements in Central Asia and the world.

NO NEW DETAILS ON POLITICAL REFORMS

¶5. (U) President Nazarbayev praised the work of the Democratization Commission and reviewed the direction that future political reforms would take, including a more powerful parliament, more powerful political parties, judicial reform, and more powerful local representative bodies. He did not reveal any significant new details concerning these previously-announced reform plans (reftel). However, he stressed that the reforms must not be "a copy of foreign experience or abstract theory," and that they should "take into account the needs of our society and realities in Kazakhstan."

COMMENT

¶6. (SBU) Comment: President Nazarbayev focused on his domestic constituency, reviewing the many positive developments under his leadership, directing social spending to key constituencies, and promising great things to come. Given the target audience, he did not elaborate significantly on foreign policy issues. Nonetheless, his modernization agenda tracks closely with several U.S. policy goals, including regional integration, economic diversification, and political reform. As always, Nazarbayev framed the debate carefully: saying all the right things about the need for further reform, while caveating that the country must develop in its own way, in response to the "realities in Kazakhstan." End comment.

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